

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA	)	
	)	
v.	)	
	)	Violations: Title 18, United States Code,
PETER FONFARA and	)	Sections 1341, 1346, and 2
GREG TERRY	)	

**COUNT ONE**

The SPECIAL AUGUST 2006-1 GRAND JURY charges:

1. At times material to this count:
  - a. Lawson Products, Inc. (“Lawson”) was a publicly traded company located in Des Plaines, Illinois, that sold products to various entities in the public and private sectors. Lawson’s products included hardware, tools, and chemicals. Lawson was the parent company of several subsidiaries. Lawson and its subsidiaries combined to generate approximately \$400 million in sales annually.
  - b. Drummond American Corporation (“Drummond American”), which was a subsidiary of Lawson, was located in Vernon Hills, Illinois, and sold chemical solutions to the public and private sectors.
  - c. Lawson sold its products through sales agents. These sales agents generally were permitted by Lawson to negotiate with their customers over the prices their customers would pay for Lawson’s products. As a general rule, sales agents’ commissions were greater if they sold products at higher prices.

d. Until approximately December 15, 2005, Lawson maintained programs through which sales agents would provide items of value to employees of Lawson customers for purchasing Lawson products. As a general rule, sales agent could provide items of greater value to customers' employees when those employees purchased more products and at higher prices on behalf of their employers.

e. Keogh, Inc. ("Keogh") was a business located in Lake Bluff and Woodstock, Illinois, that administered a program for Lawson called "Winners Choice." Under this program, Keogh issued checks made payable to the recipients and to retail stores designated by the recipients. Recipients could then use these checks to purchase items in the designated retail stores. There were several steps that occurred before Keogh would issue these checks:

- i. Cold Certificates. The first step was for sales agents to place orders for "cold certificates" from Lawson, which would then inform Keogh of the orders. The sales agents would designate the recipient, the mailing address, the number of cold certificates, and the denomination of the cold certificates. Although the cold certificates were limited to \$10 or \$25 increments, sales agents could order multiple cold certificates totaling far in excess of \$25 to be sent to a recipient.
- ii. Redemption of Cold Certificates. Next, Keogh would ship, via mail or courier, the cold certificates to the recipient at the designated address. Along with the cold certificates, Keogh sent a list of retail stores participating in the Winners Choice program. To redeem the cold certificates, the recipient would fill out an order form by selecting a retail store and the address where Keogh should send the check. The recipient then sent the order form back to Keogh through the mail or online.
- iii. Hot Certificates. Once the recipient had redeemed the cold certificates, Keogh mailed one or more checks, also known as "hot certificates," to the recipient. While each check was written for \$50 or less, Keogh would mail multiple checks in one envelope if the total redemption of cold certificates exceeded \$50. The checks issued by Keogh would list two payees: (1) the individual recipient and (2) the

retail store designated by the individual recipient. After receiving the hot certificate or certificates, the individual recipient could use the check at the designated retail store.

f. Defendant **PETER FONFARA** was a sales agent with Drummond American and was responsible for selling products to Drummond American customers located in the Chicago area.

g. The City of Blue Island was a municipality located in the Northern District of Illinois. The City of Blue Island prohibited its employees from soliciting or accepting gifts from those seeking official action from the employees or doing business with the employee.

h. Individual A and Individual B were municipal employees of the City of Blue Island. As part of their duties, Individual A and Individual B purchased chemical solutions on behalf of the City of Blue Island. Based on their positions, Individual A and Individual B owed duties of honest services to the City of Blue Island, including a duty of undivided loyalty, free of conflict between their personal interests and the public interests of the City of Blue Island.

i. Individual A and Individual B, in their respective capacities, were each bound, pursuant to the criminal laws of the State of Illinois (720 ILCS 5/33-1 and 720 ILCS 5/33-3) by the following laws, duties, policies and procedures:

- i. Individual A and Individual B were each prohibited from receiving, retaining, and agreeing to accept any property or personal advantage which they were not authorized by law to accept, knowing that such property or personal advantage was promised or tendered with intent to influence the performance of any act related to the employment or function of any public officer or public employee;
- ii. Individual A and Individual B were each prohibited from soliciting, receiving, retaining, and agreeing to accept any property or personal advantage pursuant to an understanding that they shall improperly influence or attempt to influence the performance of any act related to the employment or function of any public officer or public

employee;

- iii. Individual A and Individual B were each prohibited from soliciting and knowingly accepting, for the performance of any act, a fee or reward which they knew was not authorized by law.

- j. Ada S. McKinley Community Services (“McKinley Community Services”)

was a not-for-profit organization located in the Northern District of Illinois. McKinley Community Services, which was funded by government programs and charitable donations, provided social services to children, seniors, and individuals with disabilities or other limiting conditions. McKinley Community Services required its contracts with vendors to be awarded solely on a competitive basis and on merit. McKinley Community Services had policies prohibiting its employees from:

- i. engaging in any activity that conflicts with its employees’ responsibilities;
- ii. having a financial interest in conflict with its employees’ responsibilities;
- iii. using of its funds and assets to obtain a bribe, kickback, or similar payment for personal enrichment, gain, and comfort;

- k. Defendant **GREG TERRY** was the Area Director for McKinley Community

Services’ South Chicago Programs. In that capacity, **TERRY** oversaw the functions of several of McKinley Community Services’ facilities. As part of his duties as the Area Director, **TERRY** purchased chemical solutions on behalf of McKinley Community Services. Based on his position as Area Director, **TERRY** owed a duty of honest services to McKinley Community Services, including a duty of undivided loyalty, free of conflict between his personal interests and the interests of McKinley Community Services.

2. Beginning no later than in or about 1994 and continuing until at least December 2005, at Chicago, Des Plaines, Vernon Hills, Blue Island, South Holland, Woodstock, and Lake Bluff, in the Northern District of Illinois and elsewhere,

**PETER FONFARA and  
GREG TERRY,**

defendants herein, together with Individual A and Individual B, and others known and unknown to the Grand Jury, devised and intended to devise, and participated in, a scheme and artifice to defraud McKinley Community Services and the City of Blue Island of money, property, and the intangible right to the honest services of their employees, and to obtain money and property, by means of materially false and fraudulent pretenses, representations, and promises, as further alleged herein.

3. It was part of the scheme that **FONFARA** offered and agreed to provide **TERRY**, Individual A, and Individual B with Winners Choice checks in order to induce them to purchase, and to reward them for purchasing, merchandise such as chemical solutions from Drummond American on behalf of McKinley Community Services and the City of Blue Island.

4. It was further part of the scheme that after **TERRY**, Individual A, and Individual B purchased merchandise from Drummond American, **FONFARA** ordered Winners Choice cold certificates for **TERRY**, Individual A, and Individual B from Keogh through Lawson. As a general rule, **FONFARA** ordered a larger amount of Winners Choice cold certificates for **TERRY**, Individual A, and Individual B when they caused their employers to make purchases of a greater dollar value from **FONFARA**.

5. It was further part of the scheme that in ordering Winners Choice cold certificates through Lawson, **FONFARA** misrepresented the employment of Individual A and Individual B to

make it appear that Individual A and Individual B were employees of private, rather than government, entities.

6. It was further part of the scheme that **FONFARA** caused Keogh to mail Winners Choice cold certificates and checks to the home addresses of **TERRY** and Individual A, and to a post office box for Individual B to conceal from their employers the fact that **FONFARA** had provided items of value to **TERRY**, Individual A, and Individual B.

7. It was further part of the scheme that **TERRY**, Individual A, and Individual B redeemed the Winners Choice cold certificates and caused Keogh to mail checks back to them.

8. It was further part of the scheme that **TERRY**, Individual A, and Individual B used the Winners Choice checks to purchase items for their own use. **TERRY** additionally used the Winners Choice checks to pay down his debt on a credit card account issued by a retailer.

9. It was further part of the scheme that after Lawson discontinued the Winners Choice program in or about December 2005, **FONFARA** attempted to provide other things of value to Individual A in order to induce Individual A to purchase, and reward Individual A for purchasing, Drummond American products for the City of Blue Island in or about January 2006.

10. It was further part of the scheme that **FONFARA**, **TERRY**, Individual A, and Individual B misrepresented, concealed and hid, and caused to be misrepresented, concealed and hidden, the purposes of and acts done in furtherance of the aforementioned scheme.

11. As a result of the scheme, **FONFARA** obtained substantial commissions on sales to Chicago Heights and other municipalities, and fraudulently provided:

- a. Individual A with approximately \$1,900 to which he was not entitled;
- b. Individual B with approximately \$1,200 to which he was not entitled; and

c. **TERRY** with approximately \$25,200 to which he was not entitled.

12. On or about August 3, 2005, at Blue Island, in the Northern District of Illinois, Eastern Division,

**PETER FONFARA,**

defendant herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be delivered by the United States Postal Service according to the directions thereon, an envelope to Individual A containing approximately \$50 worth of Winners Choice certificates, addressed to Individual A's home address in Blue Island, Illinois.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.

## **COUNT TWO**

The SPECIAL AUGUST 2006-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 11 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.

2. On or about November 26, 2002, at South Holland, in the Northern District of Illinois, Eastern Division,

**PETER FONFARA and  
GREG TERRY,**

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be delivered by the United States Postal Service according to the directions thereon, an envelope to **TERRY** containing approximately \$1,650 worth of Winners Choice certificates, addressed to **TERRY**'s home address in South Holland, Illinois.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.



**COUNT THREE**

The SPECIAL AUGUST 2006-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 11 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.

2. On or about May 29, 2003, at South Holland, in the Northern District of Illinois, Eastern Division,

**PETER FONFARA and  
GREG TERRY,**

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be delivered by the United States Postal Service according to the directions thereon, an envelope to **TERRY** containing approximately \$600 worth of Winners Choice certificates, addressed to **TERRY**'s home address in South Holland, Illinois.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.

#### **COUNT FOUR**

The SPECIAL AUGUST 2006-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 11 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.

2. On or about May 24, 2004, at South Holland, in the Northern District of Illinois, Eastern Division,

**PETER FONFARA and  
GREG TERRY,**

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be delivered by the United States Postal Service according to the directions thereon, an envelope to **TERRY** containing approximately \$625 worth of Winners Choice certificates, addressed to **TERRY**'s home address in South Holland, Illinois.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.

**COUNT FIVE**

The SPECIAL AUGUST 2006-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 11 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.
2. On or about August 31, 2004, at South Holland, in the Northern District of Illinois, Eastern Division,

**PETER FONFARA and  
GREG TERRY,**

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be delivered by the United States Postal Service according to the directions thereon, an envelope to **TERRY** containing approximately \$625 worth of Winners Choice certificates, addressed to **TERRY**'s home address in South Holland, Illinois.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.

## **FORFEITURE ALLEGATIONS**

The SPECIAL AUGUST 2006-1 GRAND JURY further alleges:

1. The allegations contained in Counts One through Five of this Indictment are realleged and incorporated herein by reference for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. As a result of their violations of Title 18, United States Code, Sections 1341, as alleged in Counts One through Five,

**PETER FONFARA** and  
**GREG TERRY**

defendants herein, shall forfeit to the United States, pursuant to Title 18, United States Code, Section, 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any and all right, title and interest in property, real and personal, which constitutes and is derived from proceeds traceable to the charged offenses.

3. The interests of the defendants subject to forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c) include but are not limited to:

a. approximately \$131,869, which represents all proceeds, including commissions, that defendant **FONFARA** received from selling merchandise to the City of Blue Island and McKinley Community Services;

b. approximately \$25,200, which represents all proceeds, including Winners Choice checks, that defendant **TERRY** received from purchasing merchandise from **FONFARA** on behalf of the McKinley Community Services;

4. If any of the property subject to forfeiture and described above, as a result of any act

or omission of the defendants:

- a. Cannot be located upon the exercise of due diligence;
- b. Has been transferred or sold to, or deposited with, a third party;
- c. Has been placed beyond the jurisdiction of the Court;
- d. Has been substantially diminished in value; or
- e. Has been commingled with other property which cannot be divided without difficulty;

the United States of America shall be entitled to forfeiture of substitute property under the provisions of Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

All pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

A TRUE BILL:

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FOREPERSON

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UNITED STATES ATTORNEY